

MAX BURGESS
79 GLENTHORNE ROAD,
TAREE, 2430

ACCC

dairyinquiry@acc.gov.au

3 February, 2017

Dear Sirs,

Re:

INQUIRY INTO THE DAIRY INDUSTRY

This inquiry should have been held within one month of Coles marketing milk for \$1.00 per litre. This is a price less than bottled water and I doubt if this price exceeds the average cost of production for milk. It is reprehensible that the government has taken so long to intervene in the price of such a basic commodity. I attach a copy of a news report published by the ABC today, Friday, 3 February, 2017 which sets out the distress of many dairy producers in Australia.

At the time of the introduction of \$1.00 per litre milk, Coles appeared to have engaged in a common marketing ploy by offering to the public a heavily discounted product which, in the marketing sense, is intended to lure shoppers into their stores to buy not only that product at a discount, but other products which are not so discounted. It is known as a 'price loser' offer and generally only runs for a limited time and then the product returns to its normal retail price.

However, Coles did not follow the above strategy completely.

Instead of bearing the 'short' term loss on the sale of milk, it used its market power to intimidate milk processors to reduce their wholesale prices which enabled Coles, and, ultimately, others to market milk for \$1.00 per litre and still make a profit. In the meantime, the milk processors maintained a margin and passed the loss onto the milk producer. Historically, primary producers are 'price takers', have little market power because of their disbursement and those producing milk are now facing bankruptcy.

From the consumers point of view, low cost is a godsend to many households but milk producers in the dairy industry cannot continue indefinitely to be exploited by the monopoly of the two major retailers, Coles and Woolworths at a loss to them for the benefit of consumers.

We are faced with an inevitable choice between no milk being produced in Australia (and it is doubtful if any other country could match the price currently being offered) or Coles and Woolworths absorb the loss on milk sales as a 'price loser' or the retail price of milk should be set, if necessary by regulation, so that milk producers can make decent living.

I have no interest in dairy farming but believe Coles, Woolworths and others have engaged in unfair business practices and should be forced to pay compensation to the milk producers.

Yours faithfully,



Max Burgess

c.c. Cass Steeth for Off Track (ABC)